

VZCZCXRO1025
PP RUEHMA RUEHPA
DE RUEHDK #1530/01 2051516
ZNR UUUUU ZZH
P 241516Z JUL 07
FM AMEMBASSY DAKAR
TO RUEHC/SECSTATE WASHDC PRIORITY 8847
RUEHLMC/MCC WASHDC
RUEHZK/ECOWAS COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 DAKAR 001530

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SUBJECT: SENEGAL APPEARS READY TO GIVE-UP ON MCC OPPORTUNITY

REF: A) DAKAR 1508, B) DAKAR 1276

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¶1. (U) This cable includes an action request for MCC with coordination by the Department. Please see para 5 below.

¶2. (SBU) Summary: Senegal's Minister of Finance Abdoulaye Diop confirmed that Senegal insists on terms likely unacceptable to the Millennium Challenge Corporation (MCC) for financing Senegal's toll road. Diop requested a letter from the USG that reviews MCC's and Post's understanding of the GOS current position, and that reiterates MCC's inability to accept the GOS stated terms. These terms include immediate evaluation and acceptance of a pre-established private participant in the toll road project. The Minister asked that a letter further specify that by imposing these terms on MCC, the GOS may lose this second opportunity to achieve a compact. The French Development Agency's insistence on its timeline for a smaller loan to help with the road is also a factor in the GOS calculation. It is perhaps time to accept that the MCC concept is not a good fit for this Senegalese Administration. End summary.

GOS PREPARED TO TURN DOWN MCC MONEY

¶3. (SBU) Only five weeks ago the GOS agreed that the Millennium Challenge Corporation (MCC) should stop work on an approximate USD 500 million proposal to fund the Diamniadio Industrial Platform because Senegal had signed an agreement with Dubai-based Jafza international for a competing project (Ref B). On July 18 Senegal's Minister of Finance, apparently under instructions, told MCC reps that if MCC approval for its participation in funding Senegal's new toll road is not, in effect, confirmed by early October, then Senegal would look for other donors for the project. The decision to put at risk an estimated USD 300 million in grant money was apparently precipitated, in part, by the claim by the French Development Agency (AFD) that if it could not be assured of signing an agreement for its approximate USD 30 million loan for the project by December, it would likely withdraw its pledge.

¶4. (SBU) On July 19, Minister Diop confirmed this situation with the Charge and MCC reps. Another factor is the apparent insistence by the GOS and perhaps the World Bank (which is proposing a loan of about USD 40 million to support ancillary projects for the toll road) to continue unhindered with the concessioning of a Build-Operate-Transfer tender, even though the MCC has explained that it would likely be a deal breaker. Senegal's investment promotion agency, APIX, is in charge of the toll road project, including the process to select the private participant. There are persistent rumors that APIX is in dire need of a quick infusion of cash to continue construction of the first, non-toll phase of the road, which the GOS has pledged to complete.

ACTION REQUEST FOR LETTER

¶5. (U) Minister Diop requested a letter from the USG confirming that MCC would be unlikely to meet the conditions he laid out, which would effectively end MCC's possible participation in the toll road project. Such a letter would help the highest officials of the government verify the consequences of this course of action and, in all likelihood, stop further consideration of MCC's participation. Post requests that MCC, in coordination with the Department, provide such a letter, or draft language for such a letter to be sent under Charge's signature.

WHAT'S NEXT?

¶6. (SBU) Minister Diop asked whether Senegal could still benefit from MCC financing for another, unspecified project. MCC verified that as long as Senegal remains compact-eligible by meeting MCC's eligibility criteria the country could submit a new compact proposal. Charge underscored that timing, due to Congressional budget allocations, could be a limiting factor and that the MCC process will always be robust in terms of evaluation and due diligence before a compact could be signed. While President Wade has frequently suggested that the MCC fund a major new power plant, we have, on a number of occasions, explained that this would not be a simple, swift, or sure undertaking.

COMMENT: WHAT IS GOING ON?

¶7. (SBU) It is difficult to understand the GOS's apparent willingness to give up on MCC benefits. Minister Diop acknowledged that the government was feeling the heat from the public reaction to the ending of the Diamniadio Platform project (Ref A). At this point, we believe that President Wade understands that Senegal is at risk of losing any opportunity for an MCC compact. It is clear that the decision to give up on the Diamniadio platform and now the toll road funding are being made by those closest to Wade and, we assume, with his blessing. We need to again assure that the Senegalese public understands rightly it is GOS intransigence that is to blame

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for this missed opportunity, and not a lack of effort or good will by MCC or Embassy.

¶8. (SBU) To understand the reasons why the GOS would give up USD 300 million in grants in favor of USD 70 million in loans, one must know the answer to some key questions:

-- Why is AFD insisting on a December deadline, even though its money will not directly impact the construction? We assume this push is tied to the July 26 visit of French President Sarkozy and related efforts to boost Franco-Senegal ties;

-- What has already been put in motion for the BOT concession? We assume there must be a deal already in motion to keep money flowing to APIX in the near term, although the terms of reference are not known;

-- Are there other donors ready to step in to finance the toll road? It's possible, given our assumption that the Bin Laden Group's contract to build a new airport, Dubai Port World's agreement to take over the container operation and more at Dakar's port, and Jafza's deal for creating one or more Special Economic Zones all must have been inked with the understanding that Senegal would move forward on the road in order for each of their projects to be profitable.

¶9. (SBU) It is perhaps time to consider that the MCC concept may not be a good fit for the Wade Administration, which puts priority on negotiation, deal-making, and offering special exemptions, exonerations, and other considerations in exchange for quick work and secrecy as opposed to the MCC requirements for accountability, transparency, and due diligence.

¶10. (U) Visit Embassy Dakar's Intranet site at:
[http://dakar.state.gov/htdocs/section/econSec tion.aspx](http://dakar.state.gov/htdocs/section/econSec%20tion.aspx) and Embassy Dakar's SIPRNET Web site at <http://www.state.sgov.gov/p/af/dakar>

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